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# Interborough Finance

*Present and Future*

Published by

Van Emburgh & Atterbury

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# Interborough Finance

***Present and Future***

With especial reference to  
conditions when the New Lines  
shall have been completed



INCLUDING

Synopsis of the Financial Structure of  
Interborough Consolidated Corporation

PUBLISHED BY  
VAN EMBURGH & ATTERBURY  
5 NASSAU STREET, NEW YORK  
FEBRUARY 15, 1917

Transportation  
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**THE information herein contained is  
compiled from sources which we believe  
to be accurate. Beyond that no re-  
sponsibility is assumed for the facts  
or conclusions stated.**

**Van Emburgh & Atterbury  
5 Nassau Street, New York**

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# I

**The Financial Structure  
*of the*  
**Interborough  
Consolidated Corporation  
*and its*  
**Controlled Operating  
Companies******



# Interborough Consolidated Corporation

(A Business, not a Railroad Corporation)  
Incorporated June 1, 1915

Controls  
*through stock ownership:*  
**Interborough Rapid Transit Company**  
**New York Railways Company**

Capitalization	Authorized (shares)	Outstanding (shares)
6% Preferred Stock, non-cumulative, \$100 par value.....	457,405	same
Common Stock, without par value.....	932,626	same
4½% Collateral Trust Bonds, 1956.....	\$70,000,000	\$67,825,000

\* \* \*

This Company owns \$33,912,800 of the total capital stock, amounting to \$35,000,000, of the Interborough Rapid Transit Company.

This Company owns \$15,276,558 of the total capital stock, amounting to \$17,495,060, of the New York Railways Company.

This Company also owns practically fifty per cent. of the total capital stock of the New York Transportation Company which controls the Fifth Avenue Coach Company.

**Interborough  
Rapid Transit Company**  
Incorporated

**Capital Stock,**

350,000 shares, par value \$100.....	<b>\$35,000,000</b>
(\$33,912,800 owned by <i>Interborough Consolidated Corporation.</i> )	

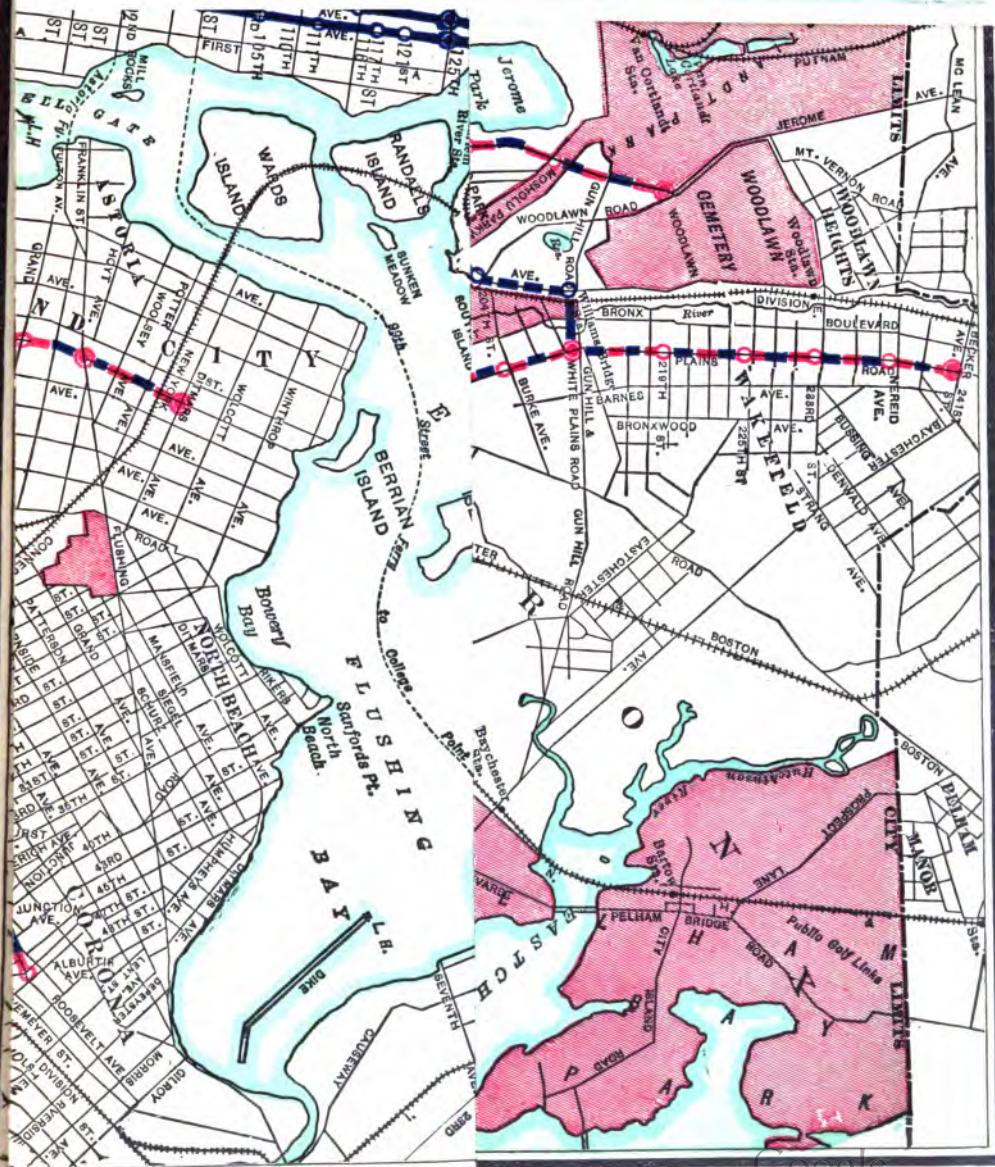
**First and Refunding Mortgage**

**Five Per Cent. Gold Bonds**

With sinking fund provision, dated January 1, 1913; authorized \$300,000,000; outstanding.....	<b>\$160,585,000</b>
	<hr/> <b>\$195,585,000</b>

\* \* \*

**NOTE:** Bonds have been issued by the City for construction under Contracts Nos. 1 and 2 as of November 1, 1916, to the par amount of \$54,236,225, on which the average rate of interest is 3.587%, which plus Sinking Fund of 1%, is payable by the Company, excluding, however, as to both Interest and Sinking Fund the bonds issued for Easements under Contract No. 1 and as to Sinking Fund only the bonds issued for Easements under Contract No. 2.





**Subway and Elevated Routes  
Including Extensions**

**Interborough  
Rapid Transit Company  
Incorporated**

**The SUBWAY**

**Under Contracts No. 1 and No. 2 the Company  
Operates**

the Subway under lease from City of New York; the Manhattan-Bronx section (Contract No. 1) and the Brooklyn Extension (Contract No. 2), for 49 years from January 1, 1917, in accordance with Contract No. 3.

It is also agreed that at the termination of the lease the City shall purchase from the operating company, at a fair valuation, the equipment acquired under Contracts Nos. 1 and 2, including power houses.

**By Contract No. 3 the City Leases**

146.80 miles of new single track Subway to the Interborough Company for operation in conjunction with its existing railroads and equipment under Contracts Nos. 1 and 2, for 49 years from January 1, 1917, as provided in Contract No. 3.

**Under Contract No. 3 the Company Contributes**

\$58,000,000 towards construction unless the total cost shall be less than \$116,000,000, in which event the Company's contribution is proportionately diminished. The Company is deemed to have contributed \$3,000,000 towards construction by the assignment of the Belmont Tunnel. The Company also contributes the cost of the new equipment originally estimated at \$22,000,000.

## *Interborough Rapid Transit Company—The Subway*

**As Lessee of the Subways under Contracts Nos. 1, 2 and 3 the Company first deducts**

from the gross revenue, operating expenses, taxes, depreciation, etc., and an amount sufficient to pay interest and sinking fund on the bonds issued by the City for constructing the existing railroads under Contracts Nos. 1 and 2.

**The Company then deducts**

a preferential of \$6,335,000 per annum, as representing the average annual income from its operation of existing railroads for the years 1910 and 1911, and in addition thereto an amount equal to 6% (interest and sinking fund) on its contribution for construction and equipment.

**The City then receives**

interest and sinking fund equivalent to 8.76% on its proportion of cost of construction, estimated at over \$66,000,000. The balance in excess of these deductions is divided 50% each.

Proper provision is made for extensions and additional equipment whereby the Company is fully secured.

\* \* \*

<b>Subway, Contracts Nos. 1 and 2, single track .....</b>	<b>85.29 miles</b>
<b>Subway extensions, Contract No. 3, single track.....</b>	<b>146.80 miles</b>

**Interborough  
Rapid Transit Company**  
Incorporated

**The ELEVATED**

**Operates the Manhattan Railway (Elevated)**

under 999 year lease from November 1, 1875, at guaranteed rental of 7 per cent. on \$60,000,000 Capital Stock, plus interest on approximately \$45,000,000, 4 per cent. Mortgage Bonds of Manhattan Company.

**By the Interborough Certificate the City Grants**

the Interborough Company the right to operate the Elevated extensions for a period of eighty-five years from commencement of operation and by a Certificate to the Manhattan Railway Company a license of 85 years for the operation of third tracks on the Second, Third and Ninth Avenue Elevated Lines.

**Under the Interborough and Manhattan Certificates the Company Contributes**

the cost of the Elevated extensions and third tracking together with the equipment thereof.

**Under the Manhattan Certificate for third tracking the Interborough Company Pays 2%**

of the excess gross receipts over the year ended June 30, 1911, of each station served by express trains upon the Second, Third and Ninth Avenue Elevated Lines.

*Interborough Rapid Transit Company—The Elevated*

Under the Interborough Certificate for Manhattan Elevated extensions the Company is

allowed to deduct from earnings of the entire Elevated System, operating expenses, taxes, interest and rentals under Manhattan lease, interest and sinking fund on cost of extensions and third tracks, interest on cost of power plant improvements, rentals for third tracks referred to in preceding paragraph, depreciation, and a preferential equivalent to \$1,589,348 per annum.

The balance is then divided equally with the City.

\* \* \*

**Manhattan Elevated,**

existing single tracks including additional third tracks.....	129.64 miles
Manhattan Elevated extensions.....	11.66 miles

# Interborough Rapid Transit Company

Incorporated

In addition to the lease of the Manhattan Railway before referred to, the Company controls through stock ownership the following properties:

## Rapid Transit Subway Construction Company

Capital Stock, par value \$100 per share..... \$6,000,000  
*All owned by Interborough Company.*

## New York & Queens County Railway Company (77.15 miles)

Capital Stock outstanding, par value \$100 per share..... 3,235,000  
*Of which the Interborough Company owns 32,048 shares.*

Bonds outstanding..... 3,000,000  
*Of which the Interborough Company owns \$786,000.*

## Subway Realty Company (owns Hotel Belmont)

Capital Stock, par value \$100 per share..... 2,000,000  
*All of which is owned by the Interborough Company.*

Mutual Life Insurance Company 5% Mortgage, due August 1, 1919..... 2,700,000

\* \* \*

*Interborough Rapid Transit Company*

**Additional Properties**

*The Company owns a half interest in the following properties:*

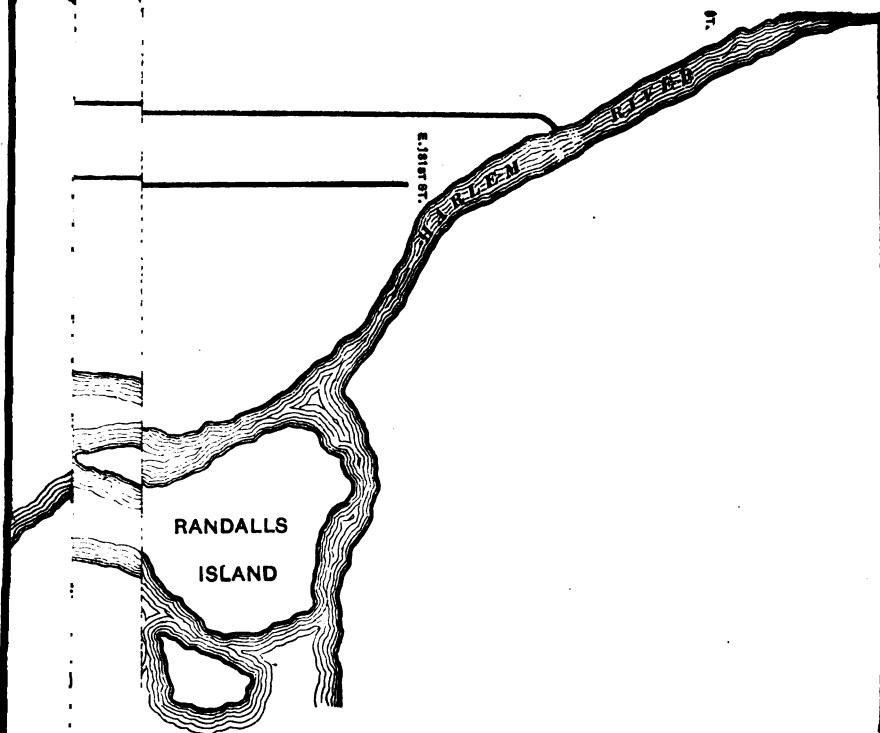
**New York & Long Island Traction Company  
(54.15 miles)**

Common Stock, 15,000 shares, par value \$50.	\$ 750,000
Preferred Stock, 5,000 shares, par value \$50..	250,000
First Mortgage 4% Bonds, due 1942.....	1,000,000

**Long Island Electric Railway Company  
(27.54 miles)**

Capital Stock, par value \$100 per share.....	\$600,000
Five Per Cent Gold Bonds, due 1925.....	600,000





**NEW YORK RAILWAYS  
COMPANY**  
**MAP**  
**SHOWING OPERATED ROUTES**



**New York Railways  
Routes**

# New York Railways Company

Incorporated December 29, 1911

To take over and operate the property of the Metropolitan Street Railway Company, its leased lines and controlled companies.

Electric mileage.....	133.64 single track
Horse mileage.....	20.73 single track
Total.....	154.37 miles

---

Capital Stock issued and outstanding, 174,950.60 shares, par \$100 .. \$17,495,060.00

*(152,765.58 shares owned by Interborough  
Consolidated Corporation)*

Thirty-year First Real Estate and  
Refunding Mortgage 4% Gold  
Bonds issued and outstanding... 18,069,947.66

Due 1942, interest payable July and January. Additional bonds can be issued for other acquired property. Guaranty Trust Company of New York, Trustee.

## *New York Railways Company*

**Thirty-year Adjustment Mortgage  
5% Income Gold Bonds, due 1942,  
issued and outstanding . . . . . \$30,626,977.31**

Interest adjusted on basis of six months  
earnings ending June and December, and  
payable, if declared, October 1 and April 1.  
Farmers Loan and Trust Company,  
Trustee.

### **Notes Outstanding**

To purchase \$600,000 First Mortgage 5% Bonds, Metropolitan Crosstown Railway Company. Six Months Note at 3½% due May 20, 1917, Guaranty Trust Company, Trustee. . . . .	602,453.80
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

### **Voting Rights**

The Adjustment Income Mortgage provides that until 5 per cent interest per annum shall have been paid for three successive years registered holders and holders who have registered for voting purposes shall have the right to vote at stockholders' meetings for the election of directors numbering one less than a majority.

### **Note**

The possibilities of favorable development for the New York Railways are material. At present, however, the stock pays no dividends, and any liabilities of that Company apply to it alone.

**New York Railways Company  
Lessee**

is also the Successor Lessee of the following Leased Companies at the rentals indicated. A portion of these rentals is returned to the New York Railways Company through its holdings of securities of the Lessor Companies:

**Twenty-third Street Railway Company..... \$186,705.70**

Lease dated April 25, 1893, for unexpired term of its charter. Annual rental 18% on capital stock of \$600,000, of which the New York Railways Company owns 5,075 shares par value \$100. Corporation expenses \$1,500.

(The Twenty-third Street Company has issued Improvement and Refunding 5% Mortgage Gold Bonds of \$1,500,000 in payment of Construction Notes held by Interborough Consolidated Corporation.)

A Sinking fund of \$2,205.70 is payable annually under this mortgage.

This lease also carried with it the

**Bleecker Street & Fulton Ferry Railroad Company Lease..... 42,100.00**

To the Twenty-third Street Company, dated January 10, 1876, for term of 99 years. Annual rental 1½% on capital stock of \$900,000. Interest on First Mortgage 4% Bleecker Street Bonds, \$700,000, due January 1, 1950, and corporation expenses, \$600.

*New York Railways Company Successor Lessee*

**Forty-second Street & Grand Street  
Ferry Railroad Company..... \$134,640**

Lease dated April 6, 1893, for unexpired term of its charter. Annual rental 18% on its capital stock of \$748,000 (\$400,000 of which is owned by *New York Railways Company*) and corporation expenses. The bond issue of this company \$236,000 has been paid and cancelled.

**Broadway & Seventh Avenue Railroad Company..... 617,500**

Lease dated May 13, 1890, for unexpired term of charter. Annual rental 10% on capital stock of \$2,100,000 (\$1,400,200 of which is owned by *New York Railways Company*). Interest on First Consolidated Mortgage 5% Bonds, due 1943, \$8,150,000, and all corporation expenses. (*The New York Railways Company owns the First Mortgage Bond issue of \$1,500,000 that matured 1904.*)

**Christopher and Tenth Street Railroad Company..... 61,900**

Held under lease to Central Crosstown Railroad Company, April 26, 1890, for unexpired term of the charter. Annual rental 8% on capital stock of \$650,000 and interest on First Mortgage 4% Bonds due October 1, 1918, \$210,000 and corporation expense not in excess of \$1,500 per annum.

*New York Railways Company Successor Lessee*

Central Crosstown Railroad Company..... \$15,000

The New York Railways Company controls this Company. It owns the entire issue outstanding of \$2,473,400 of Consolidated 4% Mortgage Bonds; also \$637,408.82 of 6% notes and operates under a temporary agreement, paying the interest on a first mortgage 6% bond issue of \$250,000, due 1922. (*The Interborough Consolidated Corporation owns 5,028 shares and the New York Railways Company 351 shares (par value of \$100 each) of the \$600,000 of capital stock outstanding.*)

Thirty-fourth Street Crosstown Railway Company..... 50,000

Is controlled through stock ownership of its \$1,000,000 capital stock by New York Railways Company and under an operating agreement of December 21, 1896, the Railways Company guarantees the principal and interest on its First Mortgage 5% Bonds, due April 1, 1996, \$1,000,000.

Sixth Avenue Railroad Company... 145,000

Lease dated February 1, 1892, for 800 years at a fixed rental of \$145,000. This Company has a capital stock issue of \$2,000,000.

*New York Railways Company Successor Lessee*

Ninth Avenue Railroad Company.. \$66,500

Lease dated March 12, 1892, for 99 years at a fixed rental of \$64,000 (equal to 8% on its capital stock of \$800,000) and also \$2,500 per annum corporation expense.

Eighth Avenue Railroad Company.. 215,000

Lease dated November 23, 1895, for 99 years at a fixed rental of \$215,000. This company has a capital stock issue of \$1,000,000 and a 6% Scrip Issue, due February 1, 1919, of \$750,000.

New York & Harlem River Railroad Company (City Line) .. . . . . 402,500

Lease dated June 11, 1896, for 999 years at annual rental of \$400,000 and also \$2,500 per annum corporation expense.

---

\$1,936,845.70

Add Corporate expenses under certain leases—not fixed—(estimated) .. . . . . 222.00

---

\$1,937,067.70

\* \* \*

The New York Railways Company also owns the entire Capital Stock issue of Fort George & 11th Avenue Railroad Company, \$3,000,000, one-half the entire Capital Stock issue of the Bridge Operating Company, or \$50,000, and one-fourth the entire Capital Stock issue of The Brooklyn & North River Railroad Company, or \$25,000.

## *New York Railways Company*

### **Underlying Bonds**

of the Companies Consolidated and Representing the  
New York Railways Company and its Real Estate  
Mortgages

#### **Lexington Avenue & Pavonia Ferry Railroad Company**

First Mortgage 5% Bonds, due  
September 1, 1993..... \$5,000,000

#### **Columbus & Ninth Avenue Railroad Company**

First Mortgage Bonds, due  
September 1, 1993..... 3,000,000

#### **Broadway Surface Railroad Company**

First Mortgage 5% Bonds, due  
July 1, 1924..... 1,500,000

#### **South Ferry Railroad Company**

First Mortgage 5% Bonds, due  
April 1, 1919..... 350,000

#### **Metropolitan Crosstown Rail- way Company**

First Mortgage 5% Bonds, due  
April 1, 1920..... 600,000 600,000

Second Mortgage 5% Bonds, due  
May 1, 1901..... 300,000 300,000

**Total..... \$10,750,000 \$900,000**

Deducting the \$900,000 owned by the  
New York Railways Company  
leaves as the Net Amount to Re-  
fund..... \$9,850,000

# II

## Interborough Finance

### Present

*IN order that the future prospects of the Interborough and its Controlled Companies may be understood, here-with will be found the income accounts and balance sheets for the Interborough Consolidated, the Interborough Rapid Transit Company and the New York Railways for the fiscal year, 1916.*

# The Annual Report for 1916

## of the

# Interborough Consolidated Corporation

No. 165 Broadway  
New York, January 1, 1917

### *To the Stockholders:*

The Statement of Income Account for the calendar year ended December 31, 1916, and the General Balance Sheet as of that date, are herewith respectfully submitted.

The Interborough-Metropolitan Company Ten-Year Six Per Cent. Collateral Gold Notes, dated January 1, 1915, of which there were \$2,500,000 outstanding on January 1, 1916, were retired during the year. For that purpose your Company secured on July 1, 1916, from the Bankers Trust Company, an advance of \$2,000,000 for nine months at 4½% interest, the balance required for the purpose of the retirement being taken from surplus cash.

Dividends on the stock of the New York Transportation Company were inaugurated during the year, this Company receiving two dividends of 25 cents per share each, on September 1 and December 1, 1916, on 101,197 shares, amounting to \$50,598.50.

Acting under authority of a resolution of the Board of Directors of June 2, 1910, whereby the sum of \$300,000 was directed to be set aside out of the annual income of the Company for the acquisition of the 4½% Collateral Trust Bonds of this Company as a sinking fund, there have been acquired to date, by purchase in the open market, bonds in the amount of \$2,510,000.

During the Fall and Winter of 1915 a favorable opportunity seemed to be presented to bring to a conclusion the very protracted and complex litigation arising over the funds in the hands of the

Metropolitan Street Railway Company and New York City Railway Company, Receivers. After six months' negotiations, matters were brought to such a state that on February 15, 1916, an order was entered in the pending actions providing for the discharge of the Receivers, and the Receivers were actually discharged on March 24, 1916.

As a result of this settlement the New York Railways Company and its affiliated companies became entitled to recover approximately \$4,200,000, nearly all of which was immediately turned over—a result more favorable than was anticipated at any time during the course of the litigation. Of the fund thus acquired, \$950,000 was employed in paying off a real estate mortgage upon fee property of the New York Railways Company, and \$650,000 in paying a general obligation contracted by the Metropolitan Bondholders' Reorganization Committee. The remainder has been set aside for corporate purposes as a part of the unmortgaged property of the New York Railways Company and part of it has been reinvested on terms yielding better than five per cent. interest.

The gross revenue of the Subway and Elevated Lines for the six months period ended December 31, 1916, notwithstanding the strike, increased approximately \$2,193,000. The earnings of the surface lines, upon the other hand, are gradually assuming normal proportions.

#### INTERBOROUGH CONSOLIDATED CORPORATION

Theodore P. Shonts  
*President*

# Interborough Consolidated Corporation

## INCOME ACCOUNT

*Year Ended December 31, 1916*

Surplus Balance of Income Account December 31, 1915 ..... **\$1,834,089.68**

### Income

#### Dividends on Interborough Rapid Transit Company Capital Stock:

5% for three months ended  
March 31, 1916 ..... **\$1,695,640.00**

5% for three months ended  
June 30, 1916 ..... **1,695,640.00**

5% for three months ended  
September 30, 1916 ..... **1,695,640.00**

5% for three months ended  
December 31, 1916 ..... **1,695,640.00 \$6,782,560.00**

Interest and Dividends on Securities  
Owned ..... **\$84,643.00**

Interest on Loans, Bank Balances,  
etc ..... **38,233.85 122,876.85**

Profit on Purchase for Retirement of  
\$2,500,000 Interborough-Metropol-  
itan 10-year 6% Collateral  
Gold Notes ..... **25,920.00 \$6,931,356.85**

**TOTAL ..... \$8,765,446.53**

# Interborough Consolidated Corporation—Income Account

Year Ended December 31, 1916

**TOTAL INCOME.....** \$8,765,446.53

## Deductions

Interest on \$67,825,000 Interborough-Metropolitan 4½% Collateral Trust Bonds.....	\$3,052,125.00
Interest to July 1, 1916, on \$2,500,000 Interborough-Metropolitan 10-year 6% Collateral Gold Notes, dated January 1, 1915.....	\$75,000.00
Interest at 4½% on \$2,000,000 Advance from Bankers Trust Company from July 1, 1916.....	<u>46,000.00</u> 121,000.00
Sinking Fund on Interborough-Metropolitan 4½% Collateral Trust Bonds.....	\$300,000.00
Sinking Fund to July 1, 1916, on Interborough-Metropolitan 10-year 6% Collateral Gold Notes...	<u>150,000.00</u> 450,000.00
Administration and General Expenses	\$43,619.27
Taxes.....	<u>128,394.68</u> 172,013.95
<b>TOTAL.....</b>	<u>3,795,138.95</u>
<b>SURPLUS AVAILABLE FOR DIVIDENDS.....</b>	<u>\$4,970,307.58</u>
Dividends on Preferred Stock:	
1½% payable April 1, 1916.....	\$686,107.50
1½% payable July 1, 1916.....	686,107.50
1½% payable October 2, 1916.....	686,107.50
1½% payable January 2, 1917.....	<u>686,107.50</u> 2,744,430.00
<b>NET SURPLUS.....</b>	<u>\$2,225,877.58</u>
Appropriation for retirement of Interborough-Metropolitan 10-year 6% Collateral Gold Notes in excess of Sinking Fund Accruals.....	<u>350,000.00</u>
<b>SURPLUS BALANCE OF INCOME ACCOUNT DECEMBER 31, 1916.....</b>	<u>\$1,875,877.58</u>

# Interborough Consolidated Corporation

## GENERAL BALANCE SHEET !

December 31, 1916

### Assets

Property and Securities.....		\$120,359,135.73
Interborough-Metropolitan 4½% Collateral Trust Bonds for Sinking Fund—June 1, 1915		2,041,000.00
Purchase of Interborough-Metropolitan 4½% Collateral Trust Bonds for Sinking Fund sub- sequent to June 1, 1915.....		358,434.57
Current Assets.....		2,715,355.84
Cash.....	\$1,907,549.96	
Accrued Interest and Divi- dends.....	39,970.26	
Accounts Receivable.....	206.12	\$1,947,726.34
<i>Special Deposits—</i>		
To meet uncollected divi- dends on Preferred Stock to and including Octo- ber 1, 1916.....	\$81,522.00	
Dividend due January 2, 1917.....	686,107.50	767,629.50
<b>TOTAL.....</b>		<b>\$125,473,926.14</b>

## *Interborough Consolidated Corporation—General Balance Sheet*

*December 31, 1916*

### **Liabilities**

Declared Capital for carrying on the business of the Corporation as provided in the Consolidation agreement of April 23, 1915.....	\$50,403,634.60
Preferred Stock.....	\$45,740,500.00
And in addition thereto a sum equivalent to \$5.00 or some multiple of \$5.00 for every share authorized to be issued other than Preferred Stock, to wit: Common stock, 932,626 —92/100 shares without par value stated at \$5.00 per share.....	<u>4,663,134.60</u>
Interborough - Metropolitan Collateral Trust 4½% Bonds.....	67,825,000.00
Bankers Trust Company.....	2,000,000.00
Current Liabilities.....	1,649,879.56
Interest on Interborough-Metropolitan Collateral Trust 4½% Bonds accrued, not due.....	\$763,031.25
<i>Dividends on Preferred Stock</i> .....	767,629.50
Uncollected dividends to and including October 1, 1916.. \$81,522.00	
Dividend due January 2, 1917, 686,107.50	
Taxes Accrued.....	\$94,050.00
Accounts Payable.....	2,168.81
Accrued Interest (Bankers Trust Company)	<u>23,000.00</u>
Reserves.....	1,719,534.40
Sinking Fund on Interborough-Metropolitan Collateral Trust 4½% Bonds.....	\$719,534.40
Reserve from Income used for the retirement of Interborough-Metropolitan 10-Year 6% Collateral Gold Notes, dated January 1, 1915.....	<u>1,000,000.00</u>
Surplus Balance Income Account.....	1,875,877.58
<b>TOTAL</b> .....	<b>\$125,473,926.14</b>



ERATING

	1917	Per Cent. of Gross Oper. Rev.	1906	Per Cent. of Gross Oper. Rev.	1905	Per Cent. of Gross Oper. Rev.
	\$30,371,402.33 874,777.45	97.60 2.40	\$19,685,094.12 436,036.00	97.83 2.17	\$16,826,870.77 374,213.04	97.82 2.18
	\$31,246,179.78	100.00	\$20,121,130.12	100.00	\$17,201,083.81	100.00
	\$1,518,164.85 2,139,180.94	5.11 6.69	\$945,631.16 1,123,318.29	4.70 5.58	\$842,683.48 1,016,233.50	4.90 5.91
	\$3,657,145.79	11.80	\$2,068,949.45	10.28	\$1,858,916.98	10.81
	\$167,1633.2	.....	.....	.....	.....	.....
	\$801,4.....	.....	.....	.....	.....	.....
	\$4,459,045.79	11.80	\$2,068,949.45	10.28	\$1,858,916.98	10.81
	7,342,157.10 316,134.67 928,093.47	25.65 .88 3.56	5,399,048.37 272,983.26 659,842.51	26.83 1.36 3.28	4,877,432.70 131,595.30 529,439.44	28.35 .77 3.08
	\$13,047,831.03 18,198,148.75 1,305,155.18	41.89 58.11 1.21	\$8,400,823.59 11,720,306.53 289,967.16	41.75 58.25 1.44	\$7,397,384.42 9,803,699.39 127,327.02	43.01 56.99 .74
	\$19,503,703.93	59.32	\$12,010,273.69	59.69	\$9,931,026.41	57.73
	\$1,979,165.37 3,954,028.19 4,200,000.00 10,000.00 1,617,666.67 329,0..... 97,0..... 786,1..... 6,1.....	6.02 15.72 17.97 .04 3.35	\$1,390,560.13 3,220,156.19 3,864,000.00 10,000.00 356,666.67	6.91 16.01 19.20 .05 1.77	\$1,203,734.52 2,433,370.61 3,864,000.00 10,000.00 .....	7.00 14.14 22.46 .06 .....
	\$12,980,060.23	43.10	\$8,841,382.99	43.94	\$7,511,105.13	43.66
	\$6,523,743.70	16.22	\$3,168,890.70	15.75	\$2,419,921.28	14.07

# THE HISTORY OF THE AMERICAN PEOPLE

Condensed Statement Operating Results  
Interborough Rapid Transit Company

# Interborough Rapid Transit Company

## INCOME ACCOUNT

*Years Ended June 30, 1916-1915*

	1916	1915	Increase Decrease*
Gross Operating Revenue.....	\$35,891,528.29	\$33,433,742.81	\$2,457,785.48
Operating Expenses.....	14,008,165.97	12,941,314.22	1,066,851.75
Net Operating Revenue.....	<u>\$21,883,362.32</u>	<u>\$20,492,428.59</u>	<u>\$1,390,933.73</u>
Taxes.....	2,341,606.64	2,133,980.09	207,626.55
Income from Operation.....	<u>\$19,541,755.68</u>	<u>\$18,358,448.50</u>	<u>\$1,183,307.18</u>
Non-operating Income.....	580,830.88	623,631.25	*42,800.37
Gross Income.....	<u>\$20,122,586.56</u>	<u>\$18,982,079.75</u>	<u>\$1,140,506.81</u>
Income Deductions.....	11,409,259.57	10,913,595.48	495,664.09
Net Corporate Income for the Year.....	<u>\$8,713,326.99</u>	<u>\$8,068,484.27</u>	<u>\$644,842.72</u>
Add Queensboro Subway.....	178,687.67	5,662.93	173,024.74
	<u>\$8,892,014.66</u>	<u>\$8,074,147.20</u>	<u>\$817,867.46</u>
<b>Add:</b>			
Surplus, June 30, 1915, and June 30, 1914.....	15,509,108.58	15,214,403.12	294,705.46
Tax Refunds and Other Credits..	258,740.72	11,813.97	246,926.75
<b>Totals.....</b>	<b><u>\$24,659,863.96</u></b>	<b><u>\$23,300,364.29</u></b>	<b><u>\$1,359,499.67</u></b>
<b>Appropriated for:</b>			
Taxes Prior Years, Amortization, Capital Retirements and Other Charges.....	\$128,886.07	\$791,255.71	*\$662,369.64
Dividends.....	7,000,000.00	7,000,000.00	.....
<b>Total Appropriations.....</b>	<b><u>\$7,128,886.07</u></b>	<b><u>\$7,791,255.71</u></b>	<b><u>*\$662,369.64</u></b>
<b>Profit and Loss—Surplus.....</b>	<b><u>\$17,530,977.89</u></b>	<b><u>\$15,509,108.58</u></b>	<b><u>\$2,021,869.31</u></b>

## *Interborough Rapid Transit Company—Income Account*

*Years Ended June 30, 1916-1915*

### **Deductions**

Description	1916	1915	Increase Decrease*
Interest and Sinking Fund on City Bonds.....	\$2,380,619.84	\$2,360,066.03	\$20,553.81
Interest on First and Refunding Mortgage 5% Gold Bonds....	3,043,630.26	2,632,572.97	411,057.29 (1)
Interest on Manhattan Railway Consolidated Mortgage 4% Bonds.....	1,604,556.51	1,591,080.00	13,476.51 (2)
Interest on Manhattan Railway Second Mortgage 4% Bonds..	66,839.89	.....	66,839.89 (3)
Interest on New York Elevated Railroad 5% Debenture Bonds	33,423.92	50,000.00	*16,576.08 (2)
Manhattan Railway Rental (Organization).....	35,000.00	35,000.00	
Guaranteed Dividend—7% on Manhattan Railway Company Capital Stock.....	4,200,000.00	4,200,000.00	
Amortization of Debt Discount and Expense.....	312.67	.....	312.67
Interest on Unfunded Debt.....	37,500.00	37,500.00	
Other Rent Deductions.....	7,376.48	7,376.48	
<b>Total Income Deductions ..</b>	<b>\$11,409,259.57</b>	<b>\$10,913,595.48</b>	<b>\$495,664.09</b>

### **Notes**

(1) Due to charging to Income Account interest on \$14,758,000 First & Refunding Mortgage 5% Gold Bonds, issued to provide for Elevated Third Tracking and Manhattan Power Plant Improvements, from January 17, 1916, the date of beginning operation of the third tracks, together with the interest on bonds issued to provide funds for those portions of the Queensboro Subway opened for service June 22, 1915, and February 15, 1916.

(2) Due to the refunding, March 1, 1916, of \$1,000,000 New York Elevated Railroad 5% Debenture Bonds, by the issuance of a like amount of Manhattan Railway Consolidated Mortgage 4% Bonds.

(3) Due to the issuance of \$4,523,000 Manhattan Railway Company 2nd Mortgage 4% Bonds, February 18, 1916.

# Interborough Rapid Transit Company

## GENERAL BALANCE SHEET

Year Ended June 30, 1916

### Assets

FIXED CAPITAL.....	\$118,568,474.38
INVESTMENTS.....	24,902,884.65
ADVANCES TO ASSOCIATED COMPANIES.....	2,458,306.73
CURRENT ASSETS.....	20,673,600.95
Cash.....	\$3,497,233.47
Cash advanced from General Fund for Manhattan Third Tracking (See Contra).....	4,625,000.00
Cash advanced from General Fund for Manhattan Power Plant Improvements (See Contra).....	150,000.00
Accounts Receivable.....	2,610,163.67
Bills Receivable.....	6,120.00
Interest and Dividends Receivable.....	728,940.75
Material and Supplies.....	2,486,450.21
Special Deposits:	
To meet Coupons due not presented.....	33,746.80
To meet Uncollected Dividends on Manhattan Railway Company Capital Stock.....	101.50
To meet Dividend due July 1, 1916, on Manhattan Railway Company Capital Stock.....	1,050,000.00
To meet Dividend due July 1, 1916, on Interborough Rapid Transit Company Capital Stock.....	1,750,000.00
To meet Interest due July 1st, 1916, on First and Refunding Mortgage 5% Gold Bonds.....	3,716,450.00
Cash Deposit with State Industrial Commission.....	19,394.55
CONSTRUCTION AND EQUIPMENT CASH FUNDS.....	41,978,969.96
Subway Contribution Cash.....	\$36,412,590.39
Manhattan Third Tracking Cash.....	10,637.60
Elevated Extension Cash.....	5,544,495.24
Manhattan Power House Cash.....	11,246.73
PREPAYMENTS.....	1,077,844.12
Insurance.....	\$171,651.10
Taxes.....	895,958.27
Rents.....	10,234.75
ITEMS AWAITING DISTRIBUTION.....	70,749.10
SECURITIES IN TRUST FOR VOLUNTARY RELIEF FUND.....	68,644.01
DEFERRED CHARGES.....	10,051,624.17
Unamortized Debt Discount and Expense	
TOTAL.....	\$219,851,098.07

# Interborough Rapid Transit Company—General Balance Sheet

Year Ended June 30, 1916

## Liabilities

CAPITAL STOCK.....	\$35,000,000.00
FUNDED DEBT.....	148,658,000.00
First and Refunding Mortgage 5% Gold Bonds.	
MANHATTAN RAILWAY COMPANY, Lease Account.....	377,322.73
CURRENT LIABILITIES.....	14,521,936.82
Interest and Rentals Accrued, not due.....	\$1,241,593.69
Coupons due, not presented.....	33,746.80
Dividends April 1, 1909, to April 1, 1916, inclusive, on Manhattan Railway Company Capital Stock, unpaid.....	101.50
Dividends due July 1, 1916, on Manhattan Railway Company Capital Stock.....	1,050,000.00
Dividends due July 1, 1916, on Interborough Rapid Transit Company Capital Stock.....	1,750,000.00
Interest due July 1, 1916, on First and Refunding Mortgage 5% Gold Bonds.....	3,716,450.00
Due for Wages.....	179,423.69
Accounts Payable.....	1,075,503.00
Taxes Accrued.....	700,118.14
Third Tracking Cash Liability for advances from General Fund (See Contra).....	4,625,000.00
Manhattan Power House Cash Liability for Advances from General Fund (See Contra).....	<u>150,000.00</u>
RESERVES.....	3,083,431.40
Accrued Amortization of Capital.....	\$2,892,885.44
Manhattan Railway Equipment Reserve.....	142,310.99
Interest on Investment of Depreciation Reserve.....	47,922.30
Manhattan Railway Company 2nd Mortgage Bond Discount and Expense Amortization.....	<u>312.67</u>
ITEMS AWAITING DISTRIBUTION.....	679,429.23
PROFIT AND LOSS SURPLUS.....	17,530,977.89
TOTAL.....	<u><u>\$219,851,098.07</u></u>

# New York Railways Company

## INCOME ACCOUNT

*Year Ended June 30, 1916*

### OPERATING INCOME:

Revenue from Transportation.....		\$13,379,947.91
<b>Other Street Railway Operating Revenue:</b>		
Advertising.....	\$250,000.00	
Rent of Equipment.....	7,082.16	
Rent of Tracks and Terminals.....	17,580.85	
Sale of Power.....	52,758.08	
Miscellaneous Revenue.....	8,062.25	<u>335,483.34</u>
Total Revenue from Street Railway Operations.....		\$13,714,531.25
<b>Street Railway Operating Expenses:</b>		
Maintenance of Way and Structures:		
Expended.....	\$1,042,355.97	
Reserved.....	<u>569,475.26</u>	\$1,611,831.23
Maintenance of Equipment:		
Expended.....	\$855,916.27	
Reserved.....	<u>275,158.74</u>	1,131,075.01
Horse-power—Revenue Car Service.....		82,425.46
Operation of Power Plant.....		752,717.90
Operation of Cars.....		3,458,264.35
Injuries to Persons and Property:		
Expended.....	\$1,054,650.84	
Reserved.....	<u>944,990.80</u>	809,660.04
General and Miscellaneous.....		<u>528,104.68</u>
Total.....		\$8,374,078.67
Taxes Assignable to Street Railway Operations.....	1,038,122.31	<u>9,412,200.98</u>
Income from Street Railway Operations.....		\$4,302,330.27
<b>NON-OPERATING INCOME:</b>		
Dividends on Securities Owned.....		\$306,012.00
Interest Revenues.....		110,974.79
Miscellaneous Rent Revenues—(Net) Real Estate Department		112,879.27
Net Income from Operation of Local Cars over the Williamsburg Bridge.....	38,503.38	<u>567,869.44</u>
<b>GROSS INCOME.....</b>		<b>\$4,870,199.71</b>

# New York Railways Company—Income Account

Year Ended June 30, 1916

## Deductions

### Interest on Funded Debt:

Underlying Mortgage Bonds..... \$492,500.00

### Interest on Unfunded Debt:

Real Estate Mortgage..... \$46,250.00

Bills Payable..... 48,721.07 94,971.07

Rent for Lease of Other Roads..... 1,887,001.29

Rent Under Operating Agreement..... 50,000.00 —

Track and Terminal Privileges..... 52,299.80

Rent of Land and Buildings..... 112,638.16

Hire of Equipment..... 10.60

Amortization of Debt Discount and Expenses..... 7,764.75

Amortization of Cost of Stock—Bridge Operating Company.. 2,031.81

Other Contractual Deductions..... 8,666.16 2,707,883.64

Net Income Available for Interest on First Real Estate 4% Bonds or Other Charges..... \$2,162,316.07

Interest on First Real Estate and Refunding Mortgage 4% Gold Bonds and Convertible 4% Scrip .....

722,609.46

### NET INCOME:

Before deducting Interest on Adjustment Mortgage Income Bonds..... \$1,439,706.61

Surplus Balance at June 30, 1915..... 864.16

Additions during the year—(net)..... 145,445.78 145,509.94

\*NET INCOME—SURPLUS, Available for Interest on Adjustment Mortgage Bonds.....

\$1,585,216.55

Interest on Adjustment Mortgage Income Bonds for the year ended June 30, 1916.....

1,584,946.08

SURPLUS—JUNE 30, 1916, as per Balance Sheet..... \$270.47

\* For payments on Income Bonds, see first paragraph, page 21.

# New York Railways Company

## GENERAL BALANCE SHEET

Year Ended June 30, 1916

### Assets

#### ACCOUNTS AWAITING DISTRIBUTION:

Pending Adjustment and Final Determination of Cost of Property (See Note) .	\$83,690,432.56
ADDITIONS AND BETTERMENTS TO PROPERTIES OWNED OR LEASED.....	2,126,266.90
INVESTMENTS.....	1,582,501.43
MATERIAL AND SUPPLIES.....	789,115.25

#### CURRENT ITEMS:

Cash.....	\$1,752,506.80
Certificate of Deposit.....	600,000.00
Cash on Deposit for Specific Purposes (See Contra).....	633,414.45
Other Special Deposits.....	14,724.21
Accounts Receivable.....	283,950.06
Bills Receivable.....	37,084.70
Accrued Accounts.....	87,466.62
Prepaid Accounts.....	84,129.15
	<hr/>
	3,493,275.99

#### CONTINGENT ASSETS:

Cash Deposited (By Prior Interests) to pay Interests and Rentals, Uncalled for, Accrued and Payable Prior to January 1, 1912 (See Contra).....	7,707.25
---------------------------------------------------------------------------------------------------------------------------------------------------	----------

#### DEFERRED CHARGES:

Unamortized Debt Discount and Expense.....	380,959.99
<hr/> TOTAL.....	\$92,070,259.37

Note:—The cost of Property as acquired under the Terms of the Reorganization Plan of the Metropolitan Street Railway Company, dated November 29, 1911, and Agreement of Sale thereunder, dated December 30, 1911, including Railways, Equipment, Real Estate, Interest and Estates acquired or to be acquired under or by virtue of the foregoing Plan and Agreement of Sale. This amount, as well as the corresponding Liability Accounts are stated subject to final adjustment on completion of the Accounting with the Joint Committee and the Receiver of the Metropolitan Street Railway Company.

# New York Railways Company—General Balance Sheet

Year Ended June 30, 1916

## Liabilities

CAPITAL STOCK.....	\$17,495,060.00
<b>FUNDED DEBT:</b>	
New York Railways Company:	
First Real Estate and Refunding Mortgage 4% Gold Bonds.....	\$18,069,947.66
Adjustment Mortgage 5% Income Gold Bonds.....	30,626,977.31
Convertible Scrip at 4%.....	2,250.00
Underlying Mortgage Bonds.....	<u>9,850,000.00</u> 58,549,174.97
<b>OTHER MORTGAGE INDEBTEDNESS:</b>	
Real Estate Mortgage.....	950,000.00
<b>BILLS PAYABLE:</b>	
Issued to Purchase 1st Mortgage 5% Bonds—Metropolitan Croestown Railway Company.....	\$602,453.80
Issued in Renewal of Note (Due October 3, 1912) made by the Joint Committee.....	<u>650,000.00</u> 1,252,453.80
<b>ACCOUNTS AWAITING DISTRIBUTION:</b>	
Pending Adjustment and Final Determination of Cost of Property (See Note).....	7,882,012.78
<b>CURRENT ITEMS:</b>	
Accounts Payable.....	\$415,715.20
Interest, Rent, etc., Due and Unpaid—(See Contra).....	633,414.45
Interest, Rent, Taxes, etc. Accrued.....	1,223,800.26
Amounts Collected in Advance.....	<u>11,511.70</u> 2,284,441.61
<b>CONTINGENT LIABILITIES:</b>	
Interest and Rentals—Uncalled for (Deposited by Prior Interests) accrued and payable prior to January 1, 1912 (See Contra).....	7,707.25
<b>RESERVES:</b>	
Injury and Damages Claims and Expenses of Litigation.....	\$588,969.53
Accrued Amortization of Capital—Contingent Account.....	2,988,074.42
Amortization of Cost of Stock—Bridge Operating Company.....	20,317.11
For Doubtful Accounts.....	<u>51,777.43</u> 3,649,138.49
<b>SURPLUS.....</b>	
<b>TOTAL.....</b>	<u>270.47</u> <u>92,070,259.37</u>



# III

## Interborough Finance

*Future*



# Interborough Finance

## *Future*

A Forecast of Interborough Earnings when  
new lines and extensions shall be in operation.

\* \* \*

Inquiry is often made as to how the obligations incurred in building the new Subways and extending the Elevated Lines of New York City will affect the financial position of the Interborough Consolidated Corporation.

The question of greatest interest is:

**Will the Interborough Consolidated be able to maintain the dividend on its six per cent. preferred stock?**

To answer that question, it must first be understood that upon the completion of the new lines the Interborough and the City of New York become partners.

The essential features of that partnership are:

- First The Interborough ceases to be merely a private corporation. The City insists upon the right to safeguard its own investment by a system of inspection and supervision, and in return definitely protects the Interborough from the uncertainties of "regulation" which usually must be faced by quasi-public corporations. The Company is entitled to the maintenance of the existing rate of fare.
- Second Although the City supplies at least one half of all the money for the new Subway construction work, the City receives no return on its investment until the amounts due the Interborough have been paid.
- Third The Subway and Elevated Lines have first claim on all additional earnings up to six per cent on their new and additional investment.
- Fourth The claims of the Company are not only prior to the claims of the City, but are also *cumulative with interest*.

### **Assured Earnings**

When the new Subways and Elevated Lines shall have been completed, the net revenues from the new and the old lines which will thus be available

to the Interborough Rapid Transit Co., and through it to the Interborough Consolidated Corporation will be as follows:

*First or "Subway" preferential.....	\$6,335,000
*6% on \$92,000,000 (interest and amortization).....	5,520,000
*Elevated preferential.....	1,589,348
*6% on \$37,400,000 Elevated Bonds	
*5% on \$5,000,000 Elevated Bonds .....	2,494,000
Non-Operating Income—Subway.....	500,000
 Total.....	 \$16,438,348

**\*City Contract**

Out of that sum, the following payments have first claim:

6% on \$175,500,000 (this is estimated amount of total debt after Subways are completed).....	\$10,530,000
	 \$5,908,348
9% on \$35,000,000 Interborough Rapid Transit Stock.....	3,150,000
Out of which will be paid the interest on the 4½% bonds of the Interborough Consolidated Corporation.	
Leaving a balance of.....	\$2,758,348

To this balance may be added—

—the following items which, upon a conservative estimate, will be available:

From invested surplus, Interborough Rapid Transit Co. ....	500,000
From investments of Rapid Transit Sub- way Construction Co. ....	250,000
From Company's equity in the Earnings of the Fifth Avenue Coach Company and other sources. ....	330,000
	<hr/>
	\$3,838,348
Amount required for Interborough Con- solidated Preferred dividend. ....	2,744,430
	<hr/>
Balance .....	\$1,093,918

### How These Items Are Obtained

The “Subway” Preferential has first claim on the net earnings of the Subway. This “Preferential” equals the average net income of the Subway in the years 1910-1911, i. e., the operating revenues less taxes, expenses, and interest and sinking fund on City money invested in the Subway.

Six per cent. on \$92,000,000—In extending the Subway, the City and the Interborough Rapid

Transit Company are together to spend approximately \$180,000,000. The Interborough Company has a preferred claim, after payment of operating expenses, on the gross revenue of the Subway sufficient to pay five per cent. interest and one per cent. toward a sinking fund on the bonds issued by the Company to do the work of construction and equipment. This claim is to be paid before any payment is made on the City's investment. This means that the earnings on the capital supplied by the City are available to protect the Company's investment.

The Elevated Preferential—The average net income of the Elevated Lines, after paying fixed charges, was \$1,589,348 during the two years 1910 and 1911, before the contract with the City was made. That amount is made a first charge against the earnings of the enlarged Elevated System prior to any division of profits with the city.

Lines of the "L" are being extended at a cost of upwards of \$42,400,000. The City has agreed that the Interborough shall have a prior claim on the net income of the "L" for interest and sinking fund on substantially that whole amount, after which the City and the Interborough divide the earnings equally.

Under the contracts with the City, the Subway is entitled to all the non-operating income which is earned, including such items as interest on investments, bank balances, etc. The estimate given (\$500,000) is conservative for this item.

The foregoing items aggregate \$16,438,348 as the ultimately assured revenues of the Subway and Elevated which will be available to the Interborough Rapid Transit Company.

\* \* \*

## Will the Interborough Earn Its Preferentials?

The only serious question which arises in a consideration of the foregoing items is this:

### WILL THE EARNINGS OF THE SUBWAY AND THE ELEVATED BE SUFFICIENT TO PAY THE PREFERENTIALS?

That is vital; for of course any estimate of the effects of the Subway Construction depends upon the volume of traffic which will be available.

### How New York Outgrows Its Transit Facilities

New York outgrows its transportation facilities faster than they can be built.

On January 17, 1916, after a virtual rebuilding of existing lines, express service was established on the new third tracks of the Elevated.

Built at a cost in excess of \$20,000,000, the additional facilities were expected to relieve much of existing congestion and provide for future expansion.

The first full year's use of the third tracks showed an increase in the total number of passengers

carried of 39,380,895, or a gain of more than 13 per cent.

Before 1916 traffic on the elevated had become practically stationary. The totals of 301,000,000 in 1911, or 302,000,000 for 1915 furnished representative yearly averages, but in the year ending with January 16, 1917, the number carried reached 339,734,536.

\* \* \*

Nor did the Subway suffer any loss through the extension of "L" facilities. On the contrary its own records for handling crowds were broken.

In September, 1916, the Subway carried a daily average of 979,048 passengers. By November this average was increased to 1,199,845 daily.

All this Subway traffic too, it should be remembered, was on lines designed originally to care for 400,000 passengers daily.

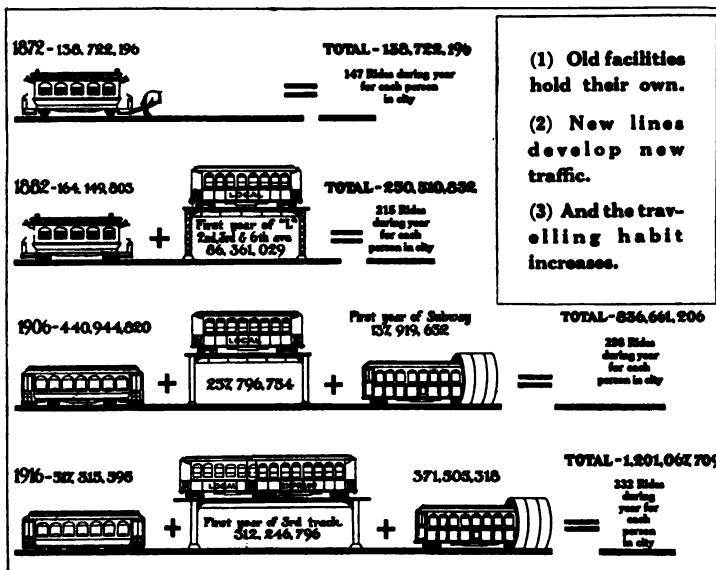
\* \* \*

Always it is the same story.

No matter how fast rapid transit lines are built in New York City, the transportation needs of the population seem to keep ahead of them.

It was true when the Elevated lines were extended in the late 70's; it was true with the opening of the Subway in 1904; it is still true with the third track service on the "L"; it will be true when the new lines of the Subway are opened.

## How New York Overtakes Its New Transit Facilities



## How the Street Railway Traffic of New York City Has Grown

Commissioner Travis H. Whitney of the Public Service Commission has compiled this table showing the development of traffic on all New York City traffic lines during the past nineteen years:

YEAR	PASSENGERS CARRIED	INCREASE
1898	741,329,885	
1899	762,966,396	21,636,511
1900	846,353,058	83,386,662
1901	881,344,801	34,991,743
1902	938,989,964	57,645,163
1903	1,000,767,483	61,777,519
1904	1,065,984,910	65,217,427
1905	1,130,982,696	64,997,786
1906	1,251,841,175	120,858,479
1907	1,315,381,388	63,540,213
1908	1,358,000,407	42,619,019
1909	1,402,417,642	44,417,235
1910	1,531,263,914	128,845,272
1911	1,603,901,397	72,638,483
1912	1,680,913,935	77,012,538
1913	1,769,876,508	88,962,573
1914	1,813,204,356	43,327,848
1915	1,807,632,726	5,571,630*
1916	1,898,735,615	91,102,889

\* Decrease

## **How Future Traffic May Be Expected to Grow**

It is, of course, impossible at this time to forecast the precise date upon which all of the new Subway Lines will be fully in operation, but assuming substantial opening of such new lines on or about July 1, 1918, it is fair to assume that the traffic for the first year over the present and new Subway Lines will be 450,000,000 passengers, while that of the Elevated Lines will approximate 350,000,000, a total of 800,000,000 passengers.

These figures make allowance on the one hand for the increased traffic consequent upon the opening of the extended Subways and Elevated Lines and, on the other hand, for the losses due to what will then be the competing Subway Lines of the B. R. T. System.

After two years, that is to say in the third year of the operation of the new Subway Lines, there should be a traffic of 525,000,000 passengers, with an Elevated traffic reaching 380,000,000, or a total of 905,000,000 passengers for the Interborough System.

## **The Expected Increase of Revenues**

With a traffic of 905,000,000 passengers in the third year of operation of the new Subway Lines, the Gross Operating Revenue will approximate \$47,000,000.

Allowing an operating ratio of 43 per cent. of Gross Revenue for the Subway compared with 35 per cent. for 1916, and 44 per cent. for the Elevated Lines compared with 43 per cent. for 1916; \$2,675,000 for taxes and \$8,700,000 for rental of existing Subway and Elevated Lines, the operations for that year should show that the Company will have earned full interest upon new bonds and the amount of all preferentials.

## **The Probable Situation in 1921**

The Company will then be in receipt of all preferentials nominated in Contract No. 3, and the Elevated Certificates, including the interest and sinking fund upon the amounts contributed for construction and equipment thereunder; plus Non-Operating Income of the Subway Division and the Income from Invested Surpluses of the Interborough Rapid Transit Company and the Rapid

Transit Subway Construction Company—making a total annual income of approximately \$17,500,-000, against which will be the charges for interest and sinking fund on say \$175,000,000 of bonds and 9 per cent. on \$35,000,000 stock, leaving a balance available for debt reduction or further dividends sufficient to meet 6 per cent. on Interborough Consolidated preferred stock and provide a substantial sum for returns on the common stock of that company.

#### **Assets which Create a Margin of Safety**

On June 30, 1916, the surplus of the Interborough Rapid Transit Company was \$17,530,977.89

This item has been increasing rapidly, despite the liberal dividend payments, and gives promise of exceeding \$23,000,000 before the lease goes into effect.

Assume that it will amount only to \$20,000,000. In the tabulation just presented the additional income earning capacity of this surplus is set down at only a conservative \$500,000 per annum.

No account is taken of the prospective profits from the \$10,000,000 construction contracts on which the Rapid Transit Subway Construction Company is working, the sale of additional surplus power which last year amounted to approximately \$953,000, the division of Elevated profits over the amount of the preferential, or the prospective earnings of the New York Railways Company. These resources, which might be called "hidden" assets, should add materially to the value of the Interborough Consolidated securities.

\* \* \*

A discussion of all phases of the Interborough situation would require more space than here available, but the care with which the company's interests have been safeguarded may be suggested by reference to the provisions regarding maintenance of equipment in the contract with the City.

#### **Provision for Payment for Equipment**

When the City takes possession of the lines it must pay the Interborough for existing equipment. The property now used in connection with operation of the Subway or owned with intent for

future use in connection with such operation is valued at approximately \$40,000,000.

The contract provides for complete maintenance charges as an operating cost, and states specifically that the

"Cost of all replacements of the principal parts of the railroad and equipment and of the existing railroads and existing equipment due either to wear and tear or to obsolescence, inadequacy or age and also any excess in the cost of maintenance shall be paid from the appropriate fund."

To make assurance doubly sure the contract proceeds:

"When any principal part of the railroad or the equipment or the existing railroad or the existing equipment is retired or withdrawn from service, an amount equal to its cost shall be withdrawn from the appropriate fund and expended on new construction or new equipment.

"Any new equipment thus acquired to replace any part of the existing equipment shall be deemed to have been acquired and supplied by the Lessee (the Interborough) under the provisions of Contract No. 1 or Contract No. 2; and nothing in this Article or elsewhere in this contract contained shall be construed as a waiver or modification of the City's obligation thereunder to buy, at the expiration of the modified terms thereof, the existing equipment in accordance with the provisions of Contracts Nos. 1 and 2."

This is another way of saying that the existing equipment, which the City must buy, must be as valuable when taken by the City as now. Provision is made, however, for a deduction of \$3,000,-000 from the amount to be paid by the City.

### **“Terminal Profits”**

Probably the phase of the contract which is least understood is that bearing on the “terminal profits.” A few facts will illustrate their importance.

The principle was recognized in drawing the contract that the Company must be protected in its investment regardless of when the City might take possession.

It was finally decided that the amortization of the Company’s debt should be reckoned on a basis which would make liberal allowance for the maximum possible payments to be made by the Company to bondholders.

The maximum redemption price of the bonds is 110. Until they become virtually a short-term obligation, that is, until the date of payment is only a few months distant, it is in accord with market experience to say that these bonds prob-

ably will be subject to purchase at less than 110. In actual fact they have been selling slightly under par.

Even if all of the bonds were purchased at 110, the issue would be retired within ten years prior to the termination of the lease. If they can be purchased for less than 110, the amortization period will be correspondingly decreased.

\* \* \*

With its debt satisfied, naturally the Company's surplus will grow rapidly, as the preferentials cannot be correspondingly reduced.

### **Consequent Prospects of Interborough Consolidated Common Stock**

According to the estimate of experts, after allowance for every dollar of debt of the Interborough Rapid Transit and of the Interborough Consolidated and the full par value of outstanding Interborough Consolidated preferred stock, the Company's so-called "terminal profits" (made possible by the City contract) assure assets at the end of the term of the lease, which with the value of the Manhattan Elevated 999-year lease—alone yielding several millions of revenue—and with the profits of the Construction Company and the holding Company's share of the earnings of the

New York Railways, will raise the tangible value of the Interborough Consolidated common stock at that time well above par.

\* \* \*

### **Protection Against Recapture "Rights"**

The leases of the present Subways (as distinguished from the new Subways now being built) are not subject to termination until the end of 1965, except as parts of the present subways might be substituted for parts of the new subways, in which event the Company must be compensated for the difference in earning value of the substituted parts, so

In case the City should decide to exercise its recapture "rights" at the end of ten years, the Company's new investment would be returned to the Company with a premium of fifteen per cent., this premium making possible the reduction of the old indebtedness of the Interborough, leaving it in possession of its present system unimpaired as to earning capacity, because the improvements made and the natural increase in the density of traffic would fully counterbalance any possible loss through competition of other lines.

# New York's Transit Future

*as seen by*

## A Member of the Public Service Commission

*Writing to the New York Evening Sun of January 23, 1917, Mr. Travis H. Whitney, a member of the New York Public Service Commission, said in part:*

There is no date too soon to plan supplementary and additional lines when the tremendous growth of the city is taken into consideration.

Within a few years New York may extend its boundaries. Communities growing more populous day by day are springing up along the fringe of the city's limits in Westchester and Nassau counties. They will clamor, eventually, to become part of the greater city, and with the addition of new population will come new rapid transit problems to be solved.

A modern skyscraper will house 15,000 people. At the rate of 1,000 passengers to a ten-car subway train fifteen subway trains would be required to carry the persons issuing from that one building.

Fifteen subway trains mean the utmost capacity of the first subway past a limiting point like the Grand Central Station for twenty-six minutes.

Multiply the number of skyscrapers as they exist downtown and around Forty-second Street

and a traffic problem is presented that is not only an immediate and tremendous worry but an indication of the big broad-gauge plans which must be made to take care of the future.

The first subway is crowded to a point where the highest skill is required for its safe operation, and the best common sense on the part of the public. But an operation that is tense, such as that now known in the subway, is not an operation under the best conditions.

Relief lines will be had in the near future, when the Lexington Avenue and Seventh Avenue lines are placed in operation providing through east and west trunk facilities. But is it not fair to assume that the opening of these lines with their extensions will develop territory almost every whit as undeveloped as was that portion of the Bronx and Washington Heights opened up by the first subway in 1904?

**If the analogy is complete, ten years from 1917 or 1918 may witness the same frantic pushing crowds on the lines of the dual system as are seen any night and morning now at the Grand Central Subway Station and at stations on the Third Avenue Elevated Line.**

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